

REVIEW

January – December 2015



Confidential

ORBOTECH LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
U. S. dollars in thousands

	December 31 2015	December 31 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 162,102	\$ 136,367
Restricted cash	13,617	10,000
Marketable securities	409	
Short-term bank deposits	9,550	10,000
Accounts receivable:		
Trade	284,192	248,071
Other	55,906	39,076
Deferred income taxes	-	8,213
Inventories	133,250	157,030
T o t a l current assets	659,026	608,757
INVESTMENTS AND NON-CURRENT ASSETS:		
Marketable securities	5,637	5,890
Funds in respect of employee rights upon retirement	8,130	9,755
Deferred income taxes	20,147	13,067
Equity method investee and other receivables	10,144	8,926
Deferred financing costs	5,460	7,470
	49,518	45,108
PROPERTY, PLANT AND EQUIPMENT, net	58,982	55,580
OTHER INTANGIBLE ASSETS, net	109,635	145,082
GOODWILL	170,177	179,445
T o t a l assets	\$ 1,047,338	\$ 1,033,972
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term loan	\$ 13,937	\$ 2,636
Accounts payable and accruals:		
Trade	65,037	64,683
Other	94,930	81,747
Deferred income	29,282	38,008
T o t a l current liabilities	203,186	187,074
LONG-TERM LIABILITIES:		
Long-term loan	223,832	293,851
Liability for employee rights upon retirement	21,535	22,763
Deferred income taxes	16,984	20,185
Other tax liabilities	14,045	13,218
T o t a l long-term liabilities	276,396	350,017
T o t a l liabilities	479,582	537,091
EQUITY:		
Share capital	2,209	2,163
Additional paid-in capital	306,612	293,056
Retained earnings	360,721	303,950
Accumulated other comprehensive loss	(1,506)	(1,980)
	668,036	597,189
Less treasury shares, at cost	(99,539)	(99,539)
T o t a l Orbotech Ltd. shareholders' equity	568,497	497,650
Non-controlling interest	(741)	(769)
T o t a l equity	567,756	496,881
T o t a l liabilities and equity	\$ 1,047,338	\$ 1,033,972

ORBOTECH LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

U.S. dollars in thousands (except per share data)
(Unaudited)

	12 months ended		3 months ended	
	December 31		December 31	
	2015	2014	2015	2014
Revenues	\$752,517	\$582,746	\$188,235	\$197,491
Cost of revenues	412,719	329,553	103,623	112,614
Gross profit	<u>339,798</u>	<u>253,193</u>	<u>84,612</u>	<u>84,877</u>
Operating expenses:				
Research and development, net	103,854	88,651	27,596	28,045
Selling, general and administrative	117,493	96,169	28,371	32,426
Equity in earnings of Frontline	(5,849)	(5,769)	(1,873)	(1,028)
Amortization of intangible assets	30,224	19,235	6,677	8,805
Gain from the sale of the Thermal activity	(628)			
SPTS acquisition costs		6,761		
Total operating expenses	<u>245,094</u>	<u>205,047</u>	<u>60,771</u>	<u>68,248</u>
Operating income	94,704	48,146	23,841	16,629
Financial expenses - net	<u>23,585</u>	<u>9,046</u>	<u>5,180</u>	<u>5,232</u>
Income before taxes on income	71,119	39,100	18,661	11,397
Taxes on income	13,788	3,419	2,651	(1,660)
Share in losses of equity method investee	<u>615</u>	<u>417</u>	<u>200</u>	<u>102</u>
Net income	56,716	35,264	15,810	12,955
Net loss attributable to the non-controlling interests	<u>(55)</u>	<u>(116)</u>	<u>(237)</u>	<u>(167)</u>
Net income attributable to Orbotech Ltd.	\$56,771	\$35,380	\$16,047	\$13,122
Basic earnings per share	<u>\$1.34</u>	<u>\$0.85</u>	<u>\$0.37</u>	<u>\$0.31</u>
Diluted earnings per share	<u>\$1.31</u>	<u>\$0.83</u>	<u>\$0.37</u>	<u>\$0.31</u>
Weighted average number of shares (in thousands) used in computation of:				
Basic earnings per share	42,412	41,703	42,852	41,707
Diluted earnings per share	43,322	42,757	43,575	42,626

ORBOTECH LTD.

RECONCILIATION OF GAAP TO NON-GAAP RESULTS

U.S. dollars in thousands (except per share data)
(Unaudited)

	12 months ended		3 months ended	
	December 31		December 31	
	2015	2014	2015	2014
Reported operating income on GAAP basis	\$94,704	\$48,146	\$23,841	\$16,629
Equity based compensation expenses	3,816	3,192	1,219	822
Amortization of intangible assets	30,224	19,235	6,677	8,805
Gain from the sale of the Thermal activity	(628)			
Non-GAAP operating income	<u>\$128,116</u>	<u>\$70,573</u>	<u>\$31,737</u>	<u>\$26,256</u>
Reported net income attributable to Orbotech Ltd. on GAAP basis	\$56,771	\$35,380	\$16,047	\$13,122
Equity- based compensation expenses	3,816	3,192	1,219	822
Amortization of intangible assets	30,224	19,235	6,677	8,805
Gain from the sale of the Thermal activity, net of tax effect	(628)			
Tax adjustments re non-GAAP adjustments	(46)	(1,823)	(775)	(935)
SPTS acquisition costs		6,761		0
Share in losses of associated company	615	417	200	102
Non-GAAP net income	<u>\$90,752</u>	<u>\$63,162</u>	<u>\$23,368</u>	<u>\$21,916</u>
Non-GAAP earnings per diluted share	<u>\$2.09</u>	<u>\$1.48</u>	<u>\$0.54</u>	<u>\$0.51</u>
Shares used in earnings per diluted share calculation-in thousands	43,322	42,757	43,575	42,626

ORBOTECH LTD.
RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA
U.S. dollars in thousands
(Unaudited)

	12 months ended		3 months ended	
	December 31		December 31	
	2015	2014	2015	2014
Net income attributable to Orbotech Ltd. on GAAP basis	\$56,771	\$35,380	\$16,047	\$13,122
Minority interest and equity losses	560	301	(37)	(65)
Tax expenses	13,788	3,419	2,651	(1,660)
Financial expenses	23,585	9,046	5,180	5,232
Depreciation and amortization	45,282	30,333	10,544	12,616
Gain from the sale of the Thermal activity, net of tax effect	(628)			
Equity- based compensation expenses	3,816	3,192	1,219	822
SPTS acquisition costs		6,761		
ADJUSTED EBITDA	\$143,174	\$88,432	\$35,604	\$30,067

ORBOTECH LTD.
RECONCILIATION OF GAAP NET INCOME TO CREDIT FACILITY EBITDA
U.S. dollars in thousands
(Unaudited)

	12 months ended
	December 31
	<u>2015</u>
Net income attributable to Orbotech Ltd. on GAAP basis	\$56,771
Minority interest and equity losses	560
Tax expenses	13,788
Financial expenses	23,585
Depreciation and amortization	45,282
Equity- based compensation expenses	3,816
Gain from the sale of the Thermal activity	(628)
Litigation expenses	680
CREDIT FACILITY EBITDA	<u><u>\$143,854</u></u>

ORBOTECH LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands
(Unaudited)

	12 months ended		3 months ended	
	December 31		December 31	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 56,716	\$ 35,264	\$ 15,810	\$ 12,955
Adjustment to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	45,282	30,333	10,544	12,616
Compensation relating to equity awards granted to employees and others - net	3,816	3,192	1,219	822
Decrease (increase) in liability for employee rights upon retirement, net	(113)	(1,553)	(268)	694
Long- term loans discount amortization	897	237	325	119
Deferred financing costs amortization	2,010	612	479	308
Capital loss from disposal of property, plant and equipment		645		645
Deferred income taxes	(2,024)	1,253	(2,472)	(961)
Amortization of premium and accretion of discount on marketable Securities, net	145	656	14	84
Equity in earnings of Frontline, net of dividend received	(540)	468	(730)	572
Other	1,014	597	310	(723)
Loss from sales of marketable securities		339		
Gain from the sale of the Thermal activity	(628)			
Increase (decrease) in accounts receivable:				
Trade	(37,067)	(17,440)	(5,280)	(9,643)
Other	(5,507)	(2,075)	(1,408)	484
Increase (decrease) in accounts payable and accruals:				
Trade	353	2,140	6,182	(10,042)
Deferred income	(7,770)	1,346	519	4,305
Other	13,915	9,326	7,835	9,579
Decrease (increase) in inventories	18,765	(13,984)	1,455	1,546
Net cash provided by operating activities	89,264	51,356	34,533	23,360
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(19,348)	(12,500)	(7,992)	(3,754)
Consideration received for the sale of the Thermal activity	10,000			0
Withdraw of (investment in) bank deposits	450	28,650	(5,516)	4,000
Purchase of marketable securities	(1,099)	(15,152)	(945)	(66)
Redemption of marketable securities	821	26,586	821	0
Acquisition of SPTS net of cash acquired		(375,061)		0
Investment in equity method investee	(1,500)	(250)		0
Proceeds from disposal of property, plant and equipment		15		0
Decrease in restricted cash	(3,617)	(10,000)	(3,542)	(10,000)
Increase (decrease) in funds in respect of employee rights upon retirement	510	(260)	65	(193)
Net cash used in investing activities	(13,783)	(357,972)	(17,109)	(10,013)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Long term loan, net of \$8 millions financing costs		288,918		
Repayment of long-term loan	(59,615)	(750)	(30,683)	(750)
Short term bank loan				(6,000)
Employee stock options exercised	9,869	8,253	2,284	1,251
Acquisition of treasury shares		(14,593)		0
Net cash provided by (used in) financing activities	(49,746)	281,828	(28,399)	(5,499)
Net increase (decrease) in cash and cash equivalents	25,735	(24,788)	(10,975)	7,848
Cash and cash equivalents at beginning of period	136,367	161,155	173,077	128,519
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 162,102	\$ 136,367	\$ 162,102	\$ 136,367

ORBOTECH LTD.
FINANCIAL SUMMARY (\$ MILLIONS)



	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015
BALANCE SHEET AND CASH FLOW										
Assets	627.8	631.7	1,020.6	1,034.0		1,037.9	1,020.7	1,043.2	1,047.3	
Debt	-	-	297.1	296.5		295.9	276.1	268.1	237.8	
Equity	473.3	475.8	483.3	496.9		511.6	532.5	549.2	567.8	
Net working capital	416.6	427.8	402.5	402.5		447.6	463.7	487.0	455.8	
Capital expenditures	3.6	2.4	2.8	3.8	12.5	3.2	3.9	4.2	8.0	19.3
Depreciation	2.5	2.4	2.5	3.8	11.1	3.7	3.7	3.7	3.9	15.1
Current ratio	4.7	4.7	3.2	3.3		3.5	3.8	3.8	3.3	
Equity / Assets	75.4%	75.3%	47.4%	48.1%		49.3%	52.2%	52.6%	54.2%	
Book value / share (US\$)	11.3	11.5	11.6	11.9		12.2	12.5	12.9	13.2	
Days sales outstanding	154	154	144	160		138	119	134	138	
INCOME STATEMENT										
	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	YTD 2015
Revenues	104.8	113.2	167.3	197.5	582.8	184.8	189.0	190.5	188.2	752.5
GAAP Operating income	8.1	10.0	20.2	16.6	55.0	20.3	25.5	25.0	23.8	94.7
GAAP Net income	6.3	8.6	7.3	13.0	35.2	11.9	13.0	15.9	16.0	56.8
Non GAAP Operating income	9.9	11.8	29.4	26.3	77.4	30.1	32.9	33.4	31.7	128.1
Non GAAP Net income	8.2	10.5	22.6	21.9	63.2	20.8	22.9	23.7	23.4	90.7
Adjusted EBITDA \$	12.3	14.0	32.0	30.1	88.3	33.8	36.6	37.1	35.6	143.2
Adjusted EBITDA margin	11.7%	12.4%	19.1%	15.2%	15.2%	18.3%	19.4%	19.5%	18.9%	19.0%
GAAP Earnings per share diluted	0.15	0.20	0.17	0.31	0.83	0.28	0.30	0.37	0.37	1.31
Non GAAP Earnings per share diluted	0.19	0.25	0.53	0.51	1.48	0.48	0.53	0.55	0.54	2.09
Average shares outstanding GAAP (K)	42,835.0	42,830.0	42,735.0	42,626.0	42,757	42,860	43,360	43,491	43,575	43,322
Average shares outstanding Non GAAP (K)	42,835.0	42,830.0	42,735.0	42,626.0	42,757	42,860	43,360	43,491	43,575	43,322
MARGIN ANALYSIS										
	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	YTD 2015
GROSS MARGIN-\$M	45.7	48.7	74.0	84.9	253.2	83.1	85.8	86.3	84.6	339.8
Gross margin (excluding X-items)	43.6%	43.0%	44.2%	43.0%	43.5%	45.0%	45.4%	45.3%	45.0%	45.2%
Operating margin (excluding X-items)	7.7%	8.9%	12.1%	8.4%	9.4%	11.0%	13.5%	13.1%	12.7%	12.6%
Net margin (excluding X-items)	6.0%	7.6%	4.4%	6.6%	6.0%	6.5%	6.9%	8.4%	8.5%	7.5%
Net margin (reported)	6.0%	7.6%	4.4%	6.6%	6.0%	6.5%	6.9%	8.4%	8.5%	7.5%
R & D / revenues (excluding X-items)	17.6%	16.9%	13.8%	14.2%	15.2%	13.9%	13.2%	14.7%	14.7%	18.5%
S,G&A/revenues (includ. goodwill amort.)	18.7%	18.2%	14.1%	16.4%	16.5%	15.7%	15.9%	18.6%	18.6%	20.6%
Effective tax rate (excluding X-items)	17.4%	15.7%	22.0%	-14.6%	8.7%	12.7%	33.5%	16.8%	16.8%	24.9%
No. of employees	1,693	1,713	2,216	2,238		2,252	2,263	2,241	2,256	

ORBOTECH LTD.
REVENUES BY PRODUCT LINE (\$ MILLIONS)



	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	YTD 2015
SALES										
PCB	41.5	48.5	41.4	39.6	171.0	31.3	37.0	34.5	38.3	141.1
as % of total sales	61%	67%	35%	28%	42%	24%	27%	25%	29%	26%
FPD	23.1	18.4	26.7	57.5	125.7	47.3	44.4	38.6	35.9	166.2
as % of total sales	34%	24%	22%	40%	31%	36%	33%	28%	27%	31%
SDD			45.6	43.0	88.6	46.6	45.7	58.4	57.5	208.2
as % of total sales			39%	30%	22%	35%	34%	43%	43%	39%
Character Recognition	1.4	1.2	1.6	3.3	7.5	1.7	2.1	1.4	2.7	7.9
as % of total sales	2%	2%	1%	2%	2%	1%	2%	1%	2%	1%
Solar	1.8	5.2	4.2	-	11.2	4.4	5.4	4.1	-	13.9
as % of total sales	3%	7%	3%	0%	3%	4%	4%	3%	0%	3%
Total	67.8	73.3	119.5	143.4	404.0	131.3	134.6	137.0	134.4	537.3
SERVICE										
PCB	27.1	28.7	30.3	29.1	115.2	26.7	28.4	29.7	29.5	114.3
as % of total service	73%	71%	64%	54%	66%	49%	52%	56%	55%	53%
FPD	8.4	9.7	8.2	8.9	35.2	10.1	9.2	9.9	9.5	38.7
as % of total service	23%	25%	17%	16%	19%	19%	17%	19%	18%	18%
SDD			7.7	14.3	22.0	14.8	14.9	11.8	12.6	54.1
as % of total service			16%	26%	12%	28%	27%	22%	23%	25%
Character Recognition	1.5	1.4	1.4	1.4	5.7	1.6	1.6	1.6	1.6	6.4
as % of total service	4%	4%	3%	3%	3%	3%	3%	3%	3%	3%
Solar	-	0.1	0.2	0.4	0.7	0.3	0.3	0.5	0.5	1.6
as % of total service	0%	0%	0%	1%	0%	1%	1%	1%	1%	1%
Total	37.0	39.9	47.8	54.1	178.8	53.5	54.4	53.5	53.8	215.2
TOTAL REVENUES										
PCB	68.6	77.2	71.7	68.7	286.2	58.0	65.4	64.2	67.9	255.5
as % of total revenues	65%	69%	43%	34%	49%	31%	35%	34%	36%	34%
FPD	31.5	28.1	34.9	66.4	160.9	57.4	53.6	48.5	45.5	205.0
as % of total revenues	30%	24%	21%	34%	28%	31%	28%	25%	24%	27%
SDD			53.3	57.3	110.6	61.4	60.6	70.2	70.1	262.3
as % of total revenues			31%	29%	19%	33%	32%	37%	37%	35%
Character Recognition	2.9	2.6	3.0	4.7	13.2	3.3	3.7	3.0	4.3	14.3
as % of total revenues	3%	2%	2%	3%	2%	2%	2%	2%	2%	2%
Solar	1.8	5.3	4.4	0.4	11.9	4.7	5.7	4.6	0.5	15.5
as % of total revenues	2%	5%	3%	0%	2%	3%	3%	2%	0%	2%
Total	104.8	113.2	167.3	197.5	582.8	184.8	189.0	190.5	188.2	752.5

ORBOTECH LTD.
REVENUES BY GEOGRAPHY (\$ MILLIONS)



	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015
SALES										
North America	4.5	3.8	16.3	37.0	61.6	23.3	13.2	12.3	12.3	61.1
as % of total sales	7%	5%	14%	26%	15%	18%	10%	9%	9%	11%
Europe	1.9	2.7	21.3	4.9	30.8	18.7	21.2	19.6	18.5	78.0
as % of total sales	3%	4%	18%	3%	8%	14%	16%	14%	14%	15%
PAC	32.9	50.0	53.5	78.6	215.0	61.2	77.3	80.5	76.8	295.8
as % of total sales	49%	68%	45%	55%	53%	47%	57%	59%	57%	55%
OAE	28.4	16.8	27.9	22.5	95.6	27.8	22.9	24.0	26.8	101.5
as % of total sales	42%	23%	23%	16%	24%	21%	17%	18%	20%	19%
Others	0.1	-	0.5	0.4	1.0	0.3	-	0.6	0.1	1.0
as % of total sales	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	67.8	73.3	119.5	143.4	404.0	131.3	134.6	137.0	134.4	537.3
SERVICE										
North America	4.9	5.1	5.3	11.0	26.3	9.4	9.0	8.7	10.2	37.3
as % of total services	13%	13%	11%	20%	15%	18%	16%	16%	19%	17%
Europe	2.6	2.7	10.4	7.4	23.1	8.3	8.8	6.7	6.3	30.1
as % of total services	7%	7%	21%	14%	13%	15%	16%	13%	12%	14%
PAC	19.9	21.1	21.7	23.6	86.3	22.6	23.9	25.9	25.2	97.6
as % of total services	55%	53%	46%	44%	48%	42%	44%	48%	47%	45%
OAE	9.5	10.9	10.2	12.0	42.6	12.9	12.6	12.1	11.9	49.5
as % of total services	25%	27%	22%	22%	24%	24%	24%	0.2	0.2	23%
Others	0.1	0.1	0.2	0.1	0.5	0.3	0.1	0.1	0.2	0.7
as % of total services	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%
Total	37.0	39.9	47.8	54.1	178.8	53.5	54.4	53.5	53.8	215.2
TOTAL REVENUES										
North America	9.4	8.9	21.6	48.0	87.9	32.7	22.2	21.0	22.4	98.3
as % of total revenues	9%	8%	13%	24%	15%	18%	12%	11%	12%	13%
Europe	4.5	5.4	31.7	12.3	53.9	27.0	30.0	26.3	24.8	108.1
as % of total revenues	4%	5%	19%	6%	9%	15%	16%	14%	13%	14%
PAC	52.8	71.1	75.2	102.2	301.3	83.8	101.2	106.4	102.0	393.4
as % of total revenues	50%	63%	45%	52%	52%	45%	54%	56%	54%	52%
OAE	37.9	27.7	38.1	34.5	138.2	40.7	35.5	36.1	38.7	151.0
as % of total revenues	36%	24%	23%	18%	25%	22%	19%	19%	21%	20%
Others	0.2	0.1	0.7	0.5	1.5	0.6	0.1	0.7	0.3	1.7
as % of total revenues	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total	104.8	113.2	167.3	197.5	582.8	184.8	189.0	190.5	188.2	752.5